

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
CALIFORNIA STATE OFFICE
U.S. BUREAU OF LAND MANAGEMENT
AND
CALIFORNIA DEPARTMENT OF CONSERVATION
DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

Revised March 24, 2005

I. PURPOSE

This Memorandum of Understanding (MOU) is made and entered into by and between the U.S. Bureau of Land Management in California, hereinafter called the "BLM" and the California Department of Conservation, Division of Oil, Gas, and Geothermal Resources, hereinafter called the "Division." The purpose of this MOU is to delineate procedures for regulating oilfield operations where both the BLM and the Division have jurisdictional authority, hereinafter called "BLM Administered Land," to streamline operations and minimize duplication. Unless otherwise noted, this MOU applies to oilfield operations on all federally-owned land administered by BLM in California, whether that land is owned in total by the federal government or is a "split-estate" (when the federal government owns either the minerals or the surface, but not both). Wells within a federal unit operation but located on land with private surface and minerals ownership are not considered to be on "BLM Administered Land", unless the unit agreement stipulates BLM regulation of the land, and then only to the extent stipulated by the unit agreement. However, production verification for both private and federal wells in federal units will be performed by BLM.

The BLM and the Division recognize that it is in the best interest of the respective agencies and the public to exchange information and combine resources where possible. Further, this MOU acknowledges the value of the Oil and Gas Work Group, hereinafter called the "Group," as a means of accomplishing this exchange. The Group will continue to meet regularly and may form subcommittees to address specific issues. The Group will conduct the Oil and Gas Conference as a forum for communication between government agencies, industry, and the public at large. Furthermore, the Group may make recommendations to the BLM and the Division, either collectively or individually.

This MOU is not intended to limit such partnerships or make them exclusive. Also, this MOU is not intended to supersede any compliance requirements with other federal or state laws and regulations.

II. AUTHORITIES

This cooperative agreement is entered into with full recognition of the following regulatory mandates/authorities:

A) The BLM has mandated responsibilities for regulation of all oilfield operations on BLM Administered Land, under Title 43 of the Code of Federal Regulations (CFR), Group 3100 Oil and Gas Leasing, Title 40, Subpart 1500 of the CFR, the National Environmental Policy Act (NEPA), the Endangered Species Act, and other applicable laws. Under Federal Regulations, the BLM as the minerals and/or surface owner, is considered to wholly regulate oilfield operations (downhole and surface) on all BLM Administered Lands.

B) The Division has the statutory responsibility under Division 3 of the Public Resources Code (PRC) to regulate all oilfield operations in the State of California. The Division is considered by California statute to wholly regulate downhole operations and be responsible for appropriate surface regulations. The Division has been delegated authority, under provisions of Section 1425 of the Federal Safe Drinking Water Act, to administer the Underground Injection Control (UIC) program for Class II injection wells in the state of California. Also, the Division has discretionary permitting authority under the California Environmental Quality Act (CEQA). The Division serves as lead agency for drilling activities within unincorporated areas of Kern County. It serves as a responsible agency for drilling activities in incorporated areas of Kern County where the local agency issues a discretionary permit.

C) Both the BLM and the Division are mandated to protect hydrocarbon reservoirs, groundwater, and health and safety; however, Division statutes effectively place liability for downhole well operations with the operator, while BLM, as the landowner, maintains considerable liability for both downhole and surface conditions. The BLM is responsible for enforcing a wide range of surface land-use issues, including fresh water protection from surface discharges and endangered species habitat.

III. OPERATING AGREEMENTS

To implement this MOU in the most effective manner, Operating Agreements will be utilized to outline specific procedural and technical working relationships between the BLM and the Division. The following Operating Agreements have been developed, attached to, and made a part of this MOU.

- A) Downhole Well Permitting
- B) Surface Operations
- C) Idle/Orphan Well Program
- D) Bonding
- E) Underground Injection Control (UIC)
- F) Exchange of Resources/Information

Other Operating Agreements may be developed at the recommendation of BLM, the Division, or the Group. Operating Agreements may be added, modified or deleted with the consent of the BLM and the Division and with input from the Group. Unless otherwise noted, whenever an Operating Agreement states that applications, permits, or records will be furnished to the other party, that information will be furnished within thirty (30) days of being available.

IV. CONCLUSION

This MOU replaces and nullifies the MOU adopted in December 1995, presently in effect between the BLM and the Division. This MOU may be modified in the future, by mutual consent and agreement of the BLM and the Division, as conditions warrant. This MOU does not limit the BLM and the Division from reaching other agreements, within the limit of their statutory responsibilities and authorities, either with each other or with other parties or agencies. Nothing in this MOU may supersede or exceed the statutory or regulatory authority, or responsibility of either agency.

This MOU will be effective upon signature of the designated parties. This MOU can be terminated by either party by providing written notice at least 45 days in advance.

/s/ Mike Pool
Mike Pool
State Director
Bureau of Land Management

/s/ Debbie Sareeram
Debbie Sareeram
Director
Department of Conservation

/s/ Ron Huntsinger
Ron Huntsinger
Bakersfield Field Office Manager
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/s/ Hal Bopp
Hal Bopp
State Oil and Gas Supervisor
Division of Oil, Gas, and
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DATE: November 10, 2004

DOWNHOLE WELL PERMITTING OPERATING AGREEMENT

To provide an effective, streamlined, coordinated application and permitting/approval process, and to reduce or eliminate duplicative administration of regulations and requirements, the BLM and the Division hereby agree to adhere to the procedures set forth in this Operating Agreement for Downhole Well Permitting. The procedures in this Operating Agreement shall be carried out in a cooperative manner, to fulfill the objectives of the BLM and the Division and reduce the regulatory burden on industry.

The BLM is mandated to post all Applications for Permit to Drill (APDs) for a 30-day public review period, while the Division is obligated to respond to Notices of Intention to Drill New Wells within 10 working days. Otherwise, BLM and Division Permits to Conduct Well Operations are substantially equivalent in the specifications required to drill, rework, and plug and abandon wells. The BLM will utilize Division requirements that are clearly more stringent. Applicable Division requirements that are more stringent are outlined in Section C of this Operating Agreement.

Downhole well permitting on BLM Administered Land will be conducted as follows. (Note: Permitting of UIC wells is outlined in the UIC Operating Agreement attached to the MOU.)

A) BLM-owned Fee Land and Split-estate BLM-owned Minerals (Note: includes cases where the BLM owns less than 100% of the mineral estate, and also where a well is drilled directionally through both BLM and private minerals.)

BLM Responsibility

1) The BLM authorizes all applications/operations for APDs, Sundries, and Abandonments, as mandated in Title 43, Subpart 3160, of the CFR.

2) Applications and permits for downhole well operations, except for UIC wells, shall be obtained from the BLM. All approvals for variances and all inspections will be conducted by the BLM.

3) The BLM will forward a copy of all APDs to the Division within 24 hours of receipt, by the most expedient means possible, for the purpose of assigning API Numbers, verifying proper well designations, posting in the Division issued Summary of Notices Received, and assuring State bond coverage.

4) The BLM will review Sundries (notices to perform downhole work on an existing well) and determine State bond coverage requirements. The Division will be notified if the operator needs to provide state bond coverage.

5) The BLM will develop surface and downhole conditions of approval (COAs) for each application and will forward a copy of the approval to the Division for its records.

Division Responsibility

1) The Division will accept copies of BLM notices and permits/approvals for its records. No separate approval from the Division will be required for production operations.

2) Operators will continue to furnish production and injection reports, well summaries, histories including results of BLM inspections, logs, and other records required by the PRC to the Division.

3) The Division will keep BLM advised of state bonding requirements so BLM may make accurate financial assurance determinations.

B) Split-estate Privately-owned Minerals

Oil and gas development activities on split-estate with BLM-owned surface and privately-owned minerals are uncommon. As of March 2002, this situation has occurred only in the Alpaugh/Trico Gas area. When oil and gas development activities occur in such a situation, the following will apply:

BLM Responsibility

1) The BLM Natural Resource Team will authorize applications to conduct surface disturbing activities and will provide COAs to comply with requirements for surface disturbance on BLM-owned surface.

2) The BLM will accept copies of Division notices and permits/approvals for its records. No separate approval from the BLM for downhole operations will be required.

3) The BLM will provide the Division with BLM surface ownership information for areas where drilling activities are likely.

Division Responsibility

1) The Division permits proposals to drill, redrill and to perform work in existing wells that constitute a permanent mechanical change under PRC 3203, or to plug and abandon wells (PRC 3229).

2) Applications will be submitted to and permits for downhole well operations will be received from the Division. All approvals for variances and all inspections will be conducted by the Division. The Division will develop the COAs for each application, on the Division Permit to Conduct Well Operations form, for each application. If the application or permit involves surface disturbance, the Division will inform operators that BLM approval is required prior to beginning operations.

3) The Division will forward a copy of the notice and approval to the BLM for its records.

C) More Stringent Division Requirements

Where applicable, the BLM will specify the following more stringent Division downhole requirements. These specifications are in addition to existing BLM specifications. The BLM will consult with the Division if there are any questions about more stringent requirements.

1) For plugging and abandonment, the base of fresh water (BFW) will be protected with a cement plug. Base of fresh water is designated as 3,000 parts per million (ppm) total dissolved solids (TDS), although there are some variances for local conditions. The BFW will be protected with a minimum 200-foot plug across the fresh-saltwater interface in open hole, a 100-foot plug across the interface inside cemented pipe, or a 100-foot plug inside pipe, with sufficient cement placed outside pipe if uncemented. For new or existing wells, the base of fresh water must be protected with cement behind pipe lifted to at least 100 feet above the interface.

2) In open hole, a cement plug shall be placed to extend from the total depth of the well, or from at least 100 feet below the bottom of each oil or gas zone or injection zone, to at least 100 feet above the top of each oil or gas zone or injection zone. In cased hole, all perforations shall be plugged with cement, and the plug shall extend at least 100 feet above the top of a landed liner, the uppermost perforations, the casing cementing point, the water shut-off holes, an oil or gas zone or injection zone, whichever is highest. For massive sand intervals, or any depleted productive interval more than 100 feet thick, a variance may be allowed that the cement shall extend from at least 100 feet below the top of the zone to at least 100 feet above.

3) A bridge plug may not be used over the top oil or gas interval, but may be used above the lowermost zone in a multiple-zone completion, if that zone is isolated from the upper zones by cement behind casing. In some cases, multiple bridge plugs may be used in alternating zones, where multiple zones exist, so long as a cement plug is placed across the uppermost zone.

4) Cement plugs shall extend at least 100 feet above casing stubs or junk. Prior

to placing a 100-foot plug above junk where the base of fresh water, or oil or gas zones were not plugged properly, cement will be downsqueezed past the junk to the extent possible.

5) All portions of the hole not plugged with cement will be filled with inert mud fluid having a minimum gel-shear strength (10 minute rheometer measurement) of 20 lbs./100 sq. ft. and capable of balancing formation pressures. (This generally requires 9.6 lb/gal mud.)

6) The state well spacing statutes, specified in PRC Sections 3600 through 3609, will be utilized. The spacing statutes generally accommodate line agreements. Any areas of disagreement or deviation from spacing statutes would require a separate agreement.

D) Alternate Plugging and Abandonment Requirements

The use of hydrated sodium bentonite as a solid plugging material may be allowed in lieu of cement by either BLM or the Division, within operational guidelines developed by the Division. These guidelines presently allow the use of bentonite for plugging wells located in the San Joaquin Valley that are shallower than 4,000 feet with a zone pressure differential that is less than 500 psi from an upper zone. The permitting of well abandonments using the alternative bentonite plugging technique is discretionary on the part of BLM and the Division, and may be permitted on a case-by-case basis in the best judgment of either agency.

SURFACE OPERATIONS OPERATING AGREEMENT

Generally, the BLM has more extensive requirements for surface operations. The BLM enforces protection of endangered species habitat, cultural resources and other resource values, and assesses the cumulative impact of development on all BLM Administered Land. The BLM also conducts field production accounting audits on all leases with federal minerals. Otherwise, both the BLM and Division enforce substantially equivalent requirements for the operation of surface facilities. Therefore, inspection and surveillance of surface operations on BLM Administered Land will be conducted as follows:

A) Environmental Lease Inspections

BLM Responsibility

1) The inspection and enforcement of compliance for the surface condition of oil and gas leases, including pipelines and aboveground tanks, will be the responsibility of

the BLM, with the exception of UIC facilities. The BLM will inspect the leases, issue citations, and enforce remediation actions, as applicable, in accordance with existing federal regulations.

2) The BLM will set the conditions for the reclamation of the disturbed surface.

3) The operation and proper closure of surface impoundments will be the responsibility of the operator, under the oversight of the BLM, and in accordance with guidelines provided by BLM to federal operators (dated 4-8-94). The guidelines were developed by a subcommittee of the Work Group and were adopted by the full Work Group.

Division Responsibility

1) The Division will be responsible for the inspection and enforcement of compliance for the surface condition of UIC facilities, including UIC injection wells, injection pipelines, and injection pumps. The Division will be responsible for determining remediation requirements for leaking and otherwise deficient UIC facilities.

2) **On split-estate leases with a privately-owned surface**, the Division will enforce provisions of the PRC, only if necessary for the protection of the private surface owner and the environment, and in consultation with the BLM.

3) **On split-estate leases with privately-owned minerals**, the Division will enforce provisions of the PRC, in consultation with the BLM, if necessary, for the protection of subsurface reservoirs and protection of groundwater.

B) Well Abandonment and Surface Restorations

BLM Responsibility

1) The BLM will receive, evaluate, set the COAs and approve any request/application relating to abandoned well surface restoration, including UIC wells, in accordance with all existing federal regulations.

2) Upon completion of restoration activities and notification by the operator, the BLM will inspect the restored surface to ensure that work done is consistent with the COAs. If the COAs are met, the BLM approves the final abandonment notice (FAN).

3) **For split-estate leases with a privately-owned surface**, exceptions to standard surface restoration requirements may be made with the written consent of the surface landowner, and in consultation with the Division, including the conversion of abandoned oil wells to water wells.

4) The BLM will not forward a copy of the FAN approval to the Division for its records. This document is no longer required by the Division.

Division Responsibility

1) The Division will not issue a separate report of final abandonment approval unless necessary for state-required bond release or other administrative reasons. In any case, the Division's final abandonment approval will indicate only that all required records have been received, all Division requirements have been met, and that final approval will be the responsibility of the BLM.

2) **For split-estate leases with BLM-owned surface**, the Division will issue a Final Letter of Abandonment Approval upon completion of downhole plugging and abandonment operations. The letter will state that downhole plugging and abandonment procedures have been completed in accordance with Division regulations and that surface restoration is the responsibility of the operator, in accordance with BLM requirements.

3) **For split-estate leases with privately-owned surface**, the Division will enforce provisions of the PRC only if necessary for the protection of the surface landowner and the environment, and in consultation with the BLM.

4) If the Division issues a Final Letter of Abandonment Approval, a copy will be forwarded to the BLM for its records.

C) Pipeline Management Program

BLM Responsibility

1) The BLM will exercise jurisdiction for pipelines/flow-lines and pipeline repair requirements, including jurisdiction for pipeline leaks resulting in spills, within its authority on BLM Land.

2) The BLM will receive, upon request, from the Division copies of all records related to the Division's pipeline management program for pipelines located on BLM Land.

Division Responsibility

1) The Division will be responsible for regulating pipelines pursuant to California Code of Regulations (CCR) Section 1774 (e) through 1774 (l), which includes environmentally sensitive pipelines, as defined in CCR Section 1760 (d). Under this program, operators must prepare pipeline management plans that include mapping, maintenance programs, and testing for certain pipelines.

2) The Division will inspect and may witness mechanical integrity testing of all pipelines included in the pipeline management plans.

3) The Division will furnish BLM, upon request, copies of all records, including pipeline management plans, maps, and testing results for applicable pipelines located on BLM Land.

D) Well Access, Well Reabandonment, and the California Environmental Quality Act (CEQA) Program

In its role as a CEQA Responsible Agency, the Division comments on various proposed surface developments throughout the state. These comments include recommendations to provide access for future exploration and development, requirements to maintain access to existing wells, and locating previously plugged and abandoned wells. Using the discretionary authority of the lead agency, the Division may require testing and replugging previously abandoned wells to current standards. BLM wells may be involved in this review if they are located on a split estate where private surface is being developed.

On split-estate leases with a privately-owned surface:

BLM Responsibility

1) The BLM will consult with the Division regarding retaining access to existing wells and maintaining access for future oilfield development.

2) The BLM will consult with the Division, if necessary, for reabandonment specifications and will issue reabandonment specifications if downhole work will have an impact on BLM-owned minerals.

Division Responsibility

1) The Division will act in its capacity as a CEQA responsible agency, and in consultation with BLM, recommend requirements for retaining access to existing wells and maintaining access for future oilfield development when private surface development is proposed and conducted.

2) The Division will act in its capacity as a CEQA responsible agency, and in consultation with BLM, specify reabandonment work for wells not plugged and abandoned in accordance with current standards when private surface development is proposed. This reabandonment work will be accomplished by the surface developer. If

the reabandonment involves substantial downhole work, BLM will be contacted to issue reabandonment specifications.

IDLE/ORPHAN WELL PROGRAM OPERATING AGREEMENT

A) Idle Well Program

The BLM conducts an idle-well program under Title 43 CFR 3160, WO-IM-No. 92-149 and CA-94-40 and has adopted a formal idle-well policy that was developed in full partnership with the Oil & Gas Work Group. The Division conducts an idle-well program under the authority of PRC Sections 3106, 3202, 3206, 3206.5, 3237, and 3250 and has adopted a formal idle-well policy. The BLM and Division idle-well policies have similar goals and require testing of idle wells to ensure mechanical integrity, protection of groundwater, and protection of reservoir integrity. The BLM and Division require plans from operators to place long-term idle wells back on operational status or to plug and abandon such wells.

The idle-well program on BLM Administered Land will be conducted as follows:

BLM Responsibility

- 1) The BLM will administer its formal idle/orphan well program and policy.
- 2) **On split-estate leases with privately-owned minerals**, the BLM will have input, as to the status of idle wells, on its property.
- 3) The BLM will furnish the Division with mechanical integrity test results.
- 4) The BLM will participate in the Division's Idle Well Reduction Program as agreed to by the Agencies.

Division Responsibility

- 1) The Division will continue to maintain records of idle wells on BLM Administered Land for the purpose of enforcing the PRC.
- 2) **On split-estate leases with privately-owned minerals**, the Division will administer its idle-well program. The Division will share its idle-well program data with the BLM.
- 3) Operators may meet the long-term idle well elimination requirements of PRC Section 3206(a)(4) by elimination of wells on BLM Administered Land.

4) The Division will include the BLM in all Idle Well Reduction activities where these activities involve federal wells.

B) Orphan Well Program

The BLM and the Division define an orphan well as a well for which the operator is deceased, defunct, bankrupt, or otherwise inaccessible, and there is no or insufficient bond coverage for plugging and abandonment operations. Both the BLM and Division conduct programs to minimize the number of orphan wells, by finding responsible parties or operators willing to acquire such wells and return them to production, attempting to assure adequate financial responsibility when well ownership/operatorship is transferred or, ultimately, to contract for plugging and abandonment to abate a public nuisance. The Division, at its discretion, may utilize PRC Section 3258 funding to plug and abandon orphan wells on BLM Administered Land. The BLM may utilize federal bond funds and/or federally budgeted orphan well funds to participate in plugging and abandonment operations with the Division on a case-by-case basis. The vehicle for transferring these funds to the Division is an Assistance Agreement.

These programs are developed in cooperation with industry through subcommittees of the Group, the Conservation Committee of California Oil and Gas Producers, and other ad hoc committees. The BLM and the Division will continue to work together, and with these subcommittees, to make the best use of funds and other resources available for remediating idle-deserted, hazardous, and orphaned wells.

BONDING OPERATING AGREEMENT

The BLM and the Division acknowledge that bonding statutes are an obvious example of duplicative requirements. Under current provisions of the PRC, the Division is mandated to require bond coverage on all wells, including those on BLM Administered Land. The BLM and the Division will work together to eliminate duplication, while recognizing the need to maintain bonds consistent with existing statutes. Hence, the following:

BLM Responsibility

A) The BLM will continue to maintain bond coverage consistent with the level of liability for all operations on BLM Administered Land (surface and minerals) as mandated under CFR Title 43, Subpart 3104. Under this regulation, the BLM requires bond coverage for operating individual leases.

Division Responsibility

A) The Division will continue to require a performance bond, in conformance with PRC Sections 3202 (e) and 3204 through 3206, during idle well acquisitions and for either drilling a new well or making mechanical changes to an existing well on BLM Administered Land.

UNDERGROUND INJECTION CONTROL (UIC) OPERATING AGREEMENT

The U.S. Environmental Protection Agency (EPA), under provisions of Section 1425 of the Safe Drinking Water Act, has delegated authority (primacy) to the Division to administer the UIC program for Class II injection wells in California, including those on BLM Administered Land. The Division does not approve notices to drill injection wells, or convert existing wells to injection, without an approved UIC project or injectivity test.

CFR Title 43, Subpart 3162.5, in conjunction with Federal Onshore Order No. 7, mandates that the BLM approve underground injection and the disposal of produced water on BLM Administered Land. The BLM assigns to the Division injection approval authority, except for surface use conditions of approval, on BLM Administered Land. The UIC program and disposal of produced water will be conducted as follows:

BLM Responsibility

A) Prior to project approval:

1) The BLM will receive, from the Division, a copy of the project application along with the draft conditions of approval. No action will be required on the part of BLM, although comments may be provided to the Division if the BLM desires.

B) Drilling an injection well outside an approved UIC project:

1) A well cannot be approved for injection unless it is within the scope of an approved UIC project, and injection is not allowed until the project, or injectivity test is approved. On BLM-owned minerals, the operator could file an APD with the BLM and subsequently file a notice to convert to injection with the Division.

C) Drilling an injection well inside an approved UIC project:

1) The BLM will receive a copy of the Notice of Intention from the Division.

2) The BLM will receive from the operator a Sundry Notice for any UIC injection well application on BLM-owned fee land, to evaluate and set surface use Conditions of Approval.

D) Abandonment of injection wells:

1) The BLM will receive from the operator a Sundry Notice for any UIC injection well application to plug and abandon a well on BLM-owned fee land, to evaluate and set surface use Conditions of Approval.

2) The BLM will be responsible for surface restoration after the downhole plugging and abandonment work is accomplished.

E) Surface facilities:

1) The BLM will receive from the operator a Sundry Notice for the installation or modification of any UIC surface facilities, including UIC injection pipelines, injection fluid storage tanks, and injection pumps, on BLM-owned fee land, to evaluate and set surface use Conditions of Approval.

F) Cyclic steam wells:

1) Wells used to inject steam on a cyclic basis, in conjunction with cyclic production, will receive permits and be administered by BLM as production wells, with consideration for specific injection issues subject to input from the Division.

G) Conversion of UIC wells to production, or other non-UIC use:

1) On BLM-owned minerals, notices to convert existing UIC wells to production wells, or other non-UIC use, will be filed on a Sundry Notice with the BLM. A copy of the notice and permit will be furnished to the Division.

H) Gas and Air (In Situ Combustion) injection wells/projects:

1) Wells used for gas and air (in situ combustion) injection, including gas-storage wells, are considered to be UIC wells and will be drilled, operated, permitted, and regulated under the provisions of this Operating Agreement.

I) Rights of Ways:

1) All rights of ways for pipelines associated with disposal of off-lease water will require BLM approval.

J) Filing Well Records

1) The BLM will receive from the operator well histories, including results of Division inspections, and logs.

Division Responsibility

A) Under UIC Primacy, the Division will receive for approval all UIC injection projects (steamflood, waterflood, water disposal, etc.). Subsequently, the Division will prepare a draft approval letter, in accordance with program requirements, and furnish a copy of the project application to the BLM. The final project approval by the Division will address BLM comments and concerns.

B) The Division will be responsible for the inspection and enforcement of compliance for the surface condition of UIC facilities, including UIC injection wells, injection pipelines, injection fluid storage tanks, and injection pumps. The remediation of leaking and otherwise deficient UIC facilities will be the responsibility of the operator, in conformance with Division specifications.

C) Applications for aquifer exemptions will be filed with the Division and processed in accordance with EPA regulations. A copy of applications located on, or which would include BLM Administered Land, will be forwarded to the BLM for review and comment as described under BLM responsibilities in this section.

D) Notices to conduct downhole well operations for drilling new UIC injection wells within an existing UIC project, reworking existing UIC injection wells, converting existing non-UIC producing wells to UIC injection wells, or abandoning UIC injection wells will be filed with the Division for approval. A copy of the notice and the Division's Permit to Conduct Well Operations will be furnished to the BLM.

E) Any files of cyclic steam project letters, and any related correspondence will be kept by the Division. Copies of cyclic steam project letters will be furnished to the BLM. The Division will be responsible, in consultation with the BLM, for any issues related to cyclic steam projects or wells that are specifically related to the steam injection phase.

EXCHANGE OF RESOURCES/INFORMATION OPERATING AGREEMENT

A) Well Records and Technical Information

Within reasonable guidelines, and to the extent practical, the BLM and the Division will exchange and make available well records and other technical information, subject to confidentiality limitations. Publications, maps, and copies will be exchanged at no cost. This exchange will include access to technical training.

The BLM and the Division agree to work cooperatively and share information, regarding the development of well record automation, so that information can be shared and accessed electronically.

B) Tank Inventory

The BLM maintains an inventory of all tanks on BLM Administered Land. The Division is responsible for maintaining an inventory of aboveground tanks containing hydrocarbons with a capacity greater than 250 barrels. The BLM provides to the Division tank inventory information at the request of the Division.

C) Operator Transfers

Both the BLM and the Division are required to process operator transfers, resulting from sales, acquisitions, or other means, and enforce their respective requirements, including bond coverage. The BLM and the Division will notify each other of operator transfers on BLM Administered Land.

D) Field Rules

The Division will advise the BLM, and consider BLM comments, when it develops field rules for oil and gas fields that include BLM Administered Land. The BLM will consider incorporating Division field rule provisions in its COAs.

E) Personnel

The BLM and the Division may exchange personnel (petroleum engineers, petroleum engineering technicians, geologists, surface compliance specialists, and other field staff) for periods not to exceed ninety (90) days at any given time. BLM staff may be detailed to work in the Division office, while an equivalent number of Division staff may be detailed to work in the BLM office. Both the BLM and the Division agree that only employees of similar classification will be exchanged at any time. This process will help familiarize the BLM and the Division with each other's functions and operational processes.

**PERMITTING /INSPECTION
MATRIX**

PERMITS, INSPECTIONS VARIANCE APPROVALS FOR:	BLM FEE	BLM MNRLS/ PRIVATE SURFACE	BLM Srfc./ PRIVATE MINERALS	Private Srfc/ Private Mnrls in BLM Unit
PRODUCTION VERIFICATION	BLM	BLM	N/A	BLM
DOWNHOLE OPERATIONS (Non-UIC) Drills, Reworks, & Abd. Permits, Variance Approval & Inspections	BLM	BLM	DOG	DOG
Directional BLM + Private Compl.	BLM	BLM	N/A	N/A
ENVIRONMENTAL LEASE INSP. (see UIC exception below)	BLM	BLM	BLM	DOG
ABD WELLSITE RESTORATION	BLM	BLM	BLM	DOG
UIC:				
1. Project Approval	DOG	DOG	DOG	DOG
2. Drill, Rework w/in project	DOG	DOG	DOG	DOG
3. Drill, Rework outside of project	BLM	BLM	DOG	DOG
4. Abandonment (downhole)	DOG	DOG	DOG	DOG
5. Cyclic Well	BLM	BLM	DOG	DOG
6. Convert UIC to Prod. (OG)	BLM	BLM	DOG	DOG
7. Convert Prod. to UIC	DOG	DOG	DOG	DOG
8. Gas Injection Well	DOG	DOG	DOG	DOG
9. Observation Well	BLM	BLM	DOG	DOG
10. Facilities Inspection	DOG	DOG	DOG	DOG
11. Surface Conditions of Approval	BLM	Not Req'd	BLM	N/A

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